

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

JOHNSON COUNTY GAS CO., INC.)
VAN LEAR, KENTUCKY) CASE NO. 8235

O R D E R

On May 27, 1983, Columbia Gas Of Kentucky, Inc., ("Columbia") one of Johnson County Gas Company's ("Johnson County") gas suppliers, filed a motion with this Commission requesting authority to terminate service to Johnson County because of Johnson County's continued non-payment of amounts owed to Columbia. The Commission, in an Order entered June 10, 1983, overruled Columbia's motion but further ordered Johnson County to prepay Columbia for the months of June, July and August or termination by Columbia would be authorized upon 5 days' written notice. The Commission, moreover, ordered that Johnson County should obtain a source of gas supply other than Columbia within 90 days of the Order of June 10, 1983, and should advise the Commission in writing no later than August 31, 1983.

On August 26, 1983, Johnson County filed a report and gas supply agreement with Atlantic Gas Transmission Company and stated that the agreement was in full compliance with the Commission's Order of June 10, 1983. The Commission reviewed the agreement entered into between Johnson County and Atlantic Gas Transmission Company and found in its Order in this case entered September 7,

1983, that it did not meet the requirements of the Commission's Order entered June 10, 1983, since Atlantic Gas Transmission Company's gas facilities were not connected to Johnson County's facilities and, therefore, the gas would have to be transported across Columbia Gas Transmission Corporation's facilities. Columbia Gas Transmission Corporation had not filed an agreement to allow the transportation of this gas through its facilities and, thus, the Commission found that Johnson County's agreement with Atlantic Gas was incomplete.

On August 29, 1983, Columbia notified Johnson County that it was terminating service on September 9, 1983, pursuant to the Commission's Order of June 10, 1983. To avoid inconveniencing Johnson County's customers, the Commission in its Order entered September 7, 1983, ordered Columbia to not terminate gas supply on September 9, 1983, but further ordered Johnson County to prepay its estimated bill to Columbia for the remainder of September and set the matter for hearing and formal conference.

The hearing and conference were held in the Commission's offices on September 14, 1983. The following parties were represented and participated in the proceedings: Johnson County Gas Company; Columbia Gas of Kentucky; Columbia Gas Transmission; Atlantic Gas Transmission Company; Kentucky-West Virginia Gas Company; Delta Gas Company; Mr. Jack Daniel, Chairman of the board, Milling Creek Corporation; the Department of Local Government; Atlantic Gas Company; the Attorney General's Division of Consumer Protection; and the Appalachian Research and Defense Fund.

No alternate gas supply solutions had been resolved prior to the hearing and conference and no solutions were made during the discussions. Kentucky-West Virginia Gas Company is not willing to supply gas to the remainder of Johnson County's system. Atlantic Gas Transmission Company does have a contract to sell gas to Johnson County. Delta Gas Company has made no agreement to transport the gas from Atlantic Gas Transmission Company's lines to Columbia Transmission Company's lines, but is not opposed to transportation under agreeable terms.

Columbia Gas Transmission Company must have approval from the Federal Energy Regulatory Commission ("FERC") to transport gas under any conditions. The FERC will likely grant authority for Columbia Gas Transmission to serve Johnson County if an emergency exists or in the event Johnson County is without another source of supply and Johnson County notifies Columbia Transmission Company who makes application to the FERC for relief. This emergency relief would be for a 60-day period renewable only once for an additional 60 days. Columbia Transmission Company would serve Johnson County under emergency conditions if authorized by the FERC with certain stipulations to assure payment from Johnson County.

Since the maximum 120-day emergency period would expire in early February if the Commission allowed Columbia to terminate service at September 30, 1983, all parties agreed that the customers of Johnson County would be severely inconvenienced if in fact no alternate source of gas had been obtained by the end of this period. The Commission will therefore require Columbia to

continue to serve Johnson County through November 30, 1983, at which date Columbia is authorized to terminate service. Johnson County is required to prepay Columbia for the months of October and November in the minimum amounts estimated by the Commission based on Johnson County's volumes purchased last year at Columbia's current rates and outlined in this Order. If Columbia finds these minimum amounts inadequate it should notify the Commission. Columbia may moreover terminate service in 5 days from the dates established herein if payment is not received.

In the conference and hearing held September 14, 1983, the Commission was advised that negotiations are currently proceeding regarding the sale of Johnson County to Mr. Jack Daniels. The testimony in this case indicates that Columbia would contemplate serving Johnson County under other management. The Commission is very interested in the status of any pending negotiations of sale of the system and herein orders Johnson County to keep the Commission advised.

IT IS THEREFORE ORDERED that Columbia shall continue to provide service to Johnson County through November 30, 1983.

IT IS FURTHER ORDERED that Johnson County shall prepay to Columbia a minimum of \$17,000 on or before October 5, 1983, and \$28,000 on or before November 5, 1983. These payments should be made to the Lexington, Kentucky, office of Columbia, to the attention of Mr. Robert Ames. If Johnson County fails to prepay these minimum amounts, Columbia may terminate service to Johnson County upon 5 days' written notice.


IT IS FURTHER ORDERED that Johnson County shall actively pursue its search for an alternate source of gas supply. Johnson County shall advise the Commission of the full details in writing of its efforts to secure an alternative gas supply 2 weeks from the date of this Order and at 2-week intervals therefrom until all agreements and contracts completing the arrangements for an alternative supply are entered into, agreed to by this Commission and/or the FERC and binding.

IT IS FURTHER ORDERED that Johnson County shall advise the Commission of the full details in writing of any discussions or negotiations concerning the sale of the system and the status of pending litigation 2 weeks from the date of this Order and every 2 weeks therefrom until the system is either sold with the Commission's approval or until the Commission enters an Order relieving Johnson County of this requirement.

Nothing contained herein shall be construed or interpreted to commit the Commission to any decisions involving rates or issues other than those involving gas supply as specifically stated in this Order.

Done at Frankfort, Kentucky, this 3rd day of October, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary